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Message Text

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44
ACTION AF-18

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04

RSC-01 PRS-01 SP-03 SS-20 IGA-02 AID-20 EB-11 COME-00

MC-02 OMB-01 TRSE-00 ACDA-19 DRC-01 CIEP-02 /136 W
---------- 110712
O 021315Z JUL 74
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 4841

S E C R E T LAGOS 6022

E.O. 11652: GDS
TAGS: MASS, NI
SUBJECT: LETTER OF OFFER FOR C-130S

REF: A. STATE 137823; B. LAGOS 5978

1. SUMMARY: PROPOSED SALE OF SIX C-130 LOCKHEED PLANES LIKELY BECOME POLITICAL IF ROUTINELY HANDLED. MANUFACTURER CONDUCTING FIERCE, UNDERSIRABLE CAMPAIGN CONVINCE FMG NOT TO USE FMS METHOD FOR PURCHASING, WHICH AS APPARENTLY PRESENTED IS DISTINCT USG POLITICAL ALBATROSS.

2. LETTER OF OFFER DELIVERED TO DAMCIDA AND DOVEWRAWI ON JULY 2.THEIR QUICK PERUSAL PRODUCED FOLLOWING REQUESTS:

A. THAT EXPIRATION DATE BE EXTENDED AT LEAST UNTIL AUGUST 1, 1974. I HAD ALREADY EXTENDED FROM JUNE 30 UNTIL JULY 15, 1974, WHICH, OWING TO LATE RECEIPT OF LOA, WAS TOO SHORT TIME SPAN FOR FMG CONSIDERATION, HENCE UNSATISFACTORY.

B. THAT DELIVERY SCHEDULE FOR PLANES UNDER FMS BE "RADICALLY ADJUSTED, PREFERABLY TO BE THE SAME AS THAT UNDER PROPOSED DIRECT SALES AGREEMENT." PRESENTING A DIFFERENT VERSION OF PROPOSED IRANIAN SALES (REF B), DAMCIDA STATED THAT IRAN HAS

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DECIDED NOT TO PURCHASE LARGE NUMBER C-130S, PREFERING A BOEING

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PLANE INSTEAD, HENCE LOCKHEED WILL HAVE CERTAIN OF THESE NEW PLANES AVAILABLE FOR EARLY DELIVERY. HE IS CERTAIN THAT HIS INFORMATION IS CORRECT AND ASKS WHY SOME OF SAME PLANES, CAN NOT BECOME AVAILABLE, UNDER USG HIGH LEVEL PRESSURE, FOR EARLIER FMS DELIVERY TO NIGERIA.

3. WITHOUT PROMPTING, DAMCIDA REFERRED TO MAJOR ALU'S RECENT DISCUSSIONS WITH LOCKHEED (REF A) AND INDICATED THAT ALU HAD NIGERIAN AIR FORCE INSTRUCTIONS CONDUCT THESE CONVERSATIONS. BASIS ALU'S INTERVENTION, LOCKHEED LAST WEEK SENT LONG CABLE TO LAGOS, FROM WHICH DAMCIDA READ FOLLOWING POINTS: (1) FMG SHOULD BY ALL MEANS AVOID FMS PROCUREMENT BECAUSE US AIR FORCE LIKELY INSIST ON USING SOME RECONDITIONED ENGINES AND OTHER EQUIPMENT FROM ITS OWN STOCKS; (2) A REASON FOR SLOW FMS DELIVERY IS THAT AIR FORCE ALWAYS USES RECONDITIONED EQUIPMENT; (3) LOCKHEED WILL MAKE CERTAIN NO FMS DELIVERIES BEFORE 1977, WHICH MEANS THAT FMG MUST IN END PAY MORE FOR PLANES AS RESULT NORMAL INFLATION DURING 12-18 MONTH SLOWER DELIVERY PERIOD. DAMCIDA AND DOVE-EDWIN SAY REPEAT SAY THEY REJECT OUT OF HAND LOCKHEED'S POINTS (1) AND (2), BUT THEY ARE MUCH IMPRESSED BY (3).

4. DAMCIDA'S QUICK CALCULATION IS THAT THE DIFFERENCE BETWEEN DIRECT SALES AND FMS IS ROUGHLY $93,000 PER PLANE IN FAVOR OF LATTER. HE REASONS THAT THIS ADVANTAGE WILL "DISAPPEAR AS RESULT NORMAL INFLATION AND GENERAL COST ESCALATION" IF FMG FORCED TO WAIT UNTIL 1977 FOR DELIVERY OF FIRST PLANE UNDER FMS.

5. DAMCIDA'S VERBATIM READING FROM LOCKHEED CABLE REVEALS HARD, DETERMINED SALES EFFORT ON PART OF MANUFACTURER, WHICH ON PURELY POLITICAL GROUNDS UNDERMINES USG POSITION IN NIGERIA. BLUNT LOCKHEED REFERENCES TO RECONDITIONED EQUIPMENT, THOUGH
B
MCIDA AND DOVE-EDWIN PRETEND NOT TO BELIEVE, OBVIOUSLY DOES NOT REPRESENT MANUFACTURER WORKING IN BEST INTERESTS OF USG, AND WILL BE WELCOME GRIST FOR KNOWN LOCAL MILLS. EMBASSY AT THIS POINT IS CONDUCTING DISCUSSIMKS AT GREAT DISADVANTAGE: (1) WE KNOW NOTHING RE POSSIBLE AVAILABILITY OF IRANIAN OR OTHER PLANES, NEW OR RECONDITIONED; (2) WE STILL HAVE NOT RECEIVED SEPTEL PROMISED PARAGRAPH 3, REF A; (3) WE HAVE DISTINCT IMPRESSION THAT, DESPITE FMG'S CLEAR PREFERENCE FOR FMS PROCUREMENT, WE
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OURSELVES REMAIN INDIFFERENT RE METHOD, WHICH I THINK IS MISTAKE. WHILE A SALE IS A SALE, OUR ABILITY HELP RESPONSIBLE ELEMENTS

FMG AVOID PITFALLS OF KICKBACKS AND OTHER FEARED ELEMENTS DIRECT SALE ISHQ POLITICAL PLUS, WHICH WE SELDOM ABLE RENDER THESE DAYS.

6. RECOMMENDATION: (1) GRANT PROMPT EXTENSION OF EXPIRATION DATE UNTIL AUGUST 1, 1974. (2) TAKE ADVANTAGE OFFER REF A, PARA 3,

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FOR SENIOR INTER-DEPARTMENTAL DECISION BE FORTHCOMING ON EARLY DELIVERY SCHEDULE. AS PREVIOUS COMMUNICATIONS INDICATE, IT IS IMPOSSIBLE TO BE CREDITABLE IF WE ARGUE THAT JG FOR ANY REASON CAN NOT DELIVER A SINGLE PLANE BEFORE 1977, ESPECIALLY IF NIGERIANS KNOW OF IRANIAN AND/OR OTHER PLANES AFFECTING LOCKHEED'S PRODUCTION SCHEDULE. TO BE USEFUL IN FMG DECISION MAKING PROCESS, ANY ADISED DELIVERY DATES MUST BE RECEIVED WITHOUT DELAY, FOR DECISSION TO PURCHASE, FMS OR DIRECT, OR NOT TO PURCHASE AT ALL LIKELY TO BE MADE BY AUGUST 1.
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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUL 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: GS
Errors: N/A
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